

2005 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

FORTY-SEVENTH ANNUAL REPORT
of the
LEGISLATIVE AUDIT COMMISSION

Submitted to the Members of the
General Assembly of the State of Illinois



MEMBERSHIP

Senate Members

Senator Deanna Demuzio
Senator Chris Lauzen
Senator Iris Y. Martinez
Senator Dale A. Righter
Senator Dale E. Risinger
Senator George P. Shadid

House Members

Representative Rich Brauer
Representative Marlow Colvin
Representative Sidney Mathias
Representative Frank Mautino
Representative Sandra Pihos

Room 622
William G. Stratton Building
Springfield, Illinois 62706

To the Members of the General Assembly:

Given the responsibility of appraising the stewardship of State government, it is only fitting that the Audit Commission submits to the General Assembly each year a self assessment of its activities.

This report, submitted in accordance with the Act creating the Commission, presents a summary of the Commission's activities and accomplishments as the legislature's oversight agency during 2005. This document also presents a number of areas in which State government could improve its performance to achieve greater efficiency, improve effectiveness, and comply with statutory directives.

The ability to make government more effective and more efficient is attributable to the members of the Legislative Audit Commission who are dedicated to meeting the challenges of government in this new century. Worthy of special note is the Commission's review of 214 audits during 2005.

The Audit Commission exists by and for the legislative branch of government. The Commission encourages your suggestions on becoming of greater service to the General Assembly.

Respectfully,

Senator Chris Lauzen
Co-chair

Representative Frank J. Mautino
Co-chair

LEGISLATIVE AUDIT COMMISSION FORTY- SEVENTH ANNUAL REPORT CONTENTS

	Page
Overview.....	2
Commission's Home Page.....	4
Commission Membership.....	5
Audit Review Program.....	6
Compliance Examinations.....	7
Audit Review Highlights.....	8
Performance Audits.....	17
Legislative Program.....	21
Other Duties and Responsibilities.....	22
Office of the Legislative Audit Commission.....	27
Appendix A.....	28
Appendix B.....	33
Appendix C.....	35
Appendix D.....	37

47th Annual Report

Report Highlights

The Legislative Audit Commission is a support services agency having the principal responsibility for the oversight of the State audit program. Major accomplishments during the past year include:

- Review and action on 210 financial/compliance audits and four performance audits.
- Support and enactment of remedial legislation.
- Review of all emergency purchases made by State agencies.
- Maintenance of a web page as a source of up-to-date information about Audit Commission activities. This site includes reports and forms associated with the Commission.
- Publication of booklets on revised Purchasing Laws and University Guidelines.

Overview

The Legislative Audit Commission is mandated by law (25 ILCS 150/0.01-0.06) to review all audits conducted by the State Auditor General. Primary responsibilities of the Commission are:

- Conduct public hearings on all major audits of State agencies to review problems, assess agency stewardship, and secure remedial action.
- Initiate and review management and program audits and investigations.
- Make recommendations to the General Assembly and agency management for corrective legislation and other measures to remedy weaknesses disclosed through audits or at Commission hearings.
- Monitor agency progress in implementing corrective action.

The statutory direction is made clear in this excerpt from the Commission's enabling legislation:

The Commission shall ascertain facts, review reports and take action thereon, and make recommendations and reports to the General Assembly and to the houses thereof concerning the audit, revenue and expenditures of the State....The Commission shall receive the reports of the Auditor General and other financial statements and shall determine what remedial measures, if any, are needed, and whether special studies and investigations are necessary.

The Commission works closely with the Office of the Auditor General. Although separate agencies, the two have many common interests. The Commission makes use of the Auditor General's specialized staff to minimize unnecessary duplication of effort and expenditure of tax funds. Nevertheless, the Commission also recognizes the specific separation of responsibilities between the conduct and the review of audits.

This report is one means used to inform the General Assembly, State agencies, the accounting profession, and the public of the Commission's activities and concerns. In addition, the Commission's membership and staff maintain open and active communication with the legislature and its staff and service agencies through personal contact and other means.

Information about the Commission's work and findings is supplied to individual members of the General Assembly upon request. This service can include supplying available information, reviewing proposed legislation, or assisting in the analysis of fiscal matters.

A final and important means of communicating with the members of the General Assembly is the sponsorship of legislation. The Legislative Audit Commission has a structured process for identifying and acting upon matters requiring new or amendatory legislation.

Commission's Home Page

Information about the Legislative Audit Commission is also available on a home page on the Internet. The information includes Commission authority and membership, the agenda of the Commission's next scheduled meeting, reviews of audits for the next scheduled meeting, a list of audit reports passed on the Commission's Consent Calendar since January 2000, the most recent Annual Report, the Purchasing Laws Publication, the University Guidelines publication, and the Headquarters designation (TA-2) form. Reviews of all audit reports heard by the Commission in the current audit cycle are also available. The home page enhances public access to information concerning the Commission's activities.

To reach the Commission's home page, please use the following Internet address:

www.ilga.gov

Commission Membership

The Commission consists of 12 members who are appointed by the legislative leadership. Membership is equally apportioned between the two chambers and the two political parties. Finally, the co-chairs may not be members of the same political party, nor may they serve in the same chamber of the General Assembly.

The members receive no compensation for the substantial amount of time devoted to Legislative Audit Commission activities, but are reimbursed for travel expenses incurred.

The Commission maintains a full-time staff of three persons in the William G. Stratton Building in Springfield.

Appearing on the next page are lists of legislators now serving and those who have served on the Legislative Audit Commission.

**Commission Membership and
Date of Appointment
at December 31, 2005**

Senate Members

Senator Deanna Demuzio	July 2004
Senator Chris Lauzen	January 1997
Senator Iris Y. Martinez	February 2005
Senator Dale A. Righter	February 2003
Senator Dale Risinger	February 2004
Senator George P. Shadid	January 2001

House Members

Representative Rich Brauer	February 2003
Representative Marlow H. Colvin	June 2005
Representative Sidney Mathias	February 2005
Representative Frank J. Mautino	March 1997
Representative Sandra Pihos	February 2005

Former Members

Raymond E. Anderson	Paul F. Elward	Robert W. Mitchler
Victor Arrigo	Dwight P. Friedrich	Edward A. Nedza
W. Russell Arrington	John S. Graham	Clarence E. Neff
Louis E. Beckman	Harber H. Hall	Dawn Clark Netsch
Robert A. Biggins	Kenneth Hall	Daniel J. O'Brien
Kenneth Boyle	Gary Hannig	Mary K. O'Brien
Michael I. Brady	Dennis Hastert	John T. O'Connell
Richard H. Brummer	Jay Hoffman	Frank M. Ozinga
George M. Burditt	Gene Johns	Margaret R. Parcels
Robert E. Cherry	Timothy V. Johnson	Glenn Poshard
Clyde L. Choate	Nancy Kaszak	Paul Powell
Terrel E. Clarke	James F. Keane	Walter J. Reum
Earlean Collins	Jack L. Kubick	Calvin W. Schuneman
Jacqueline Collins	Bob Kustra	Penny Severns
Philip W. Collins	Leo D. LaFleur	W. Timothy Simms
John Connolly	John J. Lanigan	Cal Skinner, Jr.
Michael D. Curran	Richard R. Larson	Fred J. Smith
Julie A. Curry	Ted E. Leverenz	Arthur W. Sprague
John M. Daley	Ellis B. Levin	George F. Stastny
Richard M. Daley	James P. Loukas	Celeste M. Stiehl
Corneal A. Davis	Eileen Lyons	Arthur Tenhouse
Aldo A. DeAngelis	Lynn Martin	Judy Baar Topinka
Terry W. Deering	Jeffrey D. Mays	Donne E. Trotter
Miguel A. del Valle	David B. McAfee	Louis S. Viverito
Vince Demuzio	Edward McBroom	Thomas J. Walsh
Brian B. Duff	Dean McCulley	Frank C. Watson
Thomas Dunn	Andrew J. McGann	Jerry Weller
George W. Dunne	Robert F. McPartlin	Rick Winkel
		Anne Zickus

Audit Review Program

Audits are, by their nature, a look at the past. Transactions are reviewed, statistical and compliance tests are performed, and an evaluation is made of conditions during the period covered by the report. The Commission's audit review activities seek to change this focus by involving legislators, agency directors and managers, and members of the audit team in a structured process, which emphasizes implementation of corrective action to remedy existing weaknesses and to prevent lapses of control in the future. While the audit report cites deficiencies at the time of the examination, the Commission looks forward, seeking to view the audit report as a blueprint for improved agency service and accountability. In this way, the Commission maximizes the value of these reports as management tools.

Two important benefits result from frequent hearings on major audits:

1. Legislators are directly involved in the audit process, increasing communication within government and supplying feedback to the legislative and appropriations processes; and
2. Opportunities are increased for both administrative and legislative action to correct weaknesses and deficiencies disclosed in the audit reports.

Basic elements of the Commission's review include:

- Disclosure and public scrutiny of weaknesses and illegal or improper conduct in the use of public funds and the management of public business.
- Study, development, and introduction of legislation to correct weaknesses and improve the statutory framework of Illinois government.
- Initiation of management and program audits, investigations, and other studies, as required.
- Review of the delivery of State services, based both on audit findings and on members' contact with their constituents and the various agencies.

The participation of the Office of the Auditor General and accounting profession enhances discussion of accountability issues by both the agency and the Commission. In many instances, their comments help to clarify complex accounting issues. The Commission extends its appreciation to the accounting professionals who have participated during the past year. Hopefully they have found their association with the audit program rewarding, and have gained an appreciation of legislative oversight concerns as the result of their participation in Commission meetings. A listing of these individuals, by accounting firm name, appears on the following page.

BKD

Heather Powell
Julie Zemaitis

KPMG

Julie Barreintos
Cathy Baumann
Jeff Markert

Clifton Gunderson

Jeff Bonick

McGladrey & Pullen

Joe Evans

Crowe Chisek

John Weber
Denise Shierman
Chris Mower
Jim Pandolfi
Tom Pandolfi

Nykiel, Carlin & Co.

Brian Creek

Sikich Gardner & Co.

Nick Applebaum
Gary Neubauer
Amy Sherwood

Doehring, Winders Co.

Robert Arnholt

Compliance Examinations

Compliance audits, or compliance examinations, stress the fundamentals of governmental accountability—compliance with statutes and regulations, sound business practices, safeguarding of assets and property, and proper expenditure of State funds. The Commission took action on 210 separate financial and compliance audit reports during 2005 ranging from reports disclosing no material findings to reports containing 24 recommendations. Obviously, this large number of reports represents the foundation of the Commission's workload. A listing of these audits is included in Appendix A on page 28-32.

Prior to a Commission hearing, an audit review is prepared by Commission staff, summarizing all of the recommendations made by the auditors and pertinent financial data. The recommendations are classified as to implementation and acceptance status based on current information requested from the agency involved.

The Commission's public hearings stress implementation of corrective action, review of disputed findings, and an assessment of the fiscal and programmatic achievements of the agency. Corrective action is stressed to minimize the repetition of adverse findings in future reports. The Commission expects that each recommendation accepted by an agency will be implemented within a reasonable time. Priority attention is devoted to correcting past problems so that they will not recur. The Commission considers no audit recommendation fully disposed of until:

- it has been accepted by the agency;
- equally acceptable procedures have been implemented; and
- the Commission members are convinced that the position taken by the agency in not accepting a given recommendation is proper in the circumstances involved.

If implementation is not feasible, the Legislative Audit Commission may urge elimination of the recommendation in future reports.

Although infrequent, the Commission may be dissatisfied with an agency's lack of progress implementing audit recommendations and require the State agency to return to the Commission to report on the status of implementing audit report recommendations. As well, the Commission may notify the Governor if an executive agency or department refuses to comply with an audit recommendation. As well, the Audit Commission may request an opinion from the Attorney General for the interpretation of statute, and whether an agency is operating within statutory requirements. No Attorney General opinions were requested during 2005; however, the Auditor General forwarded findings from one audit to the Attorney General during 2005.

The Office of the Auditor General contracts with an independent auditor to perform a Statewide Single Audit of federal funds. This Statewide Single Audit fulfills the mandate for accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 42 State agencies expended \$16.21 billion in federal financial assistance in FY04. The State agencies not included in the Statewide Single Audit are the various universities, the bonding authorities, and the Conservation Foundation. Federal findings will continue to be noted in the State compliance audit reports of these agencies.

The Statewide Single Audit contained 71 findings with 45 repeat findings. Twelve agencies including the Departments of Human Services, Public Aid, Children and Family Services, Transportation, Commerce and Economic Opportunity, Employment Security, Natural Resources, and Public Health, the State Board of Education, the Student Assistance Commission, the Community College Board, and the Office of the State Comptroller do not have an adequate process in place to permit the timely completion of a complete and accurate schedule of expenditures of federal awards. As a result of this inadequacy, the auditor has a reportable condition on all federal programs administered by the State.

Audit Review Highlights

During the last year, the Legislative Audit Commission reviewed 210 compliance examinations and financial audit reports. Obviously, this statistic is of limited significance because there are wide variations in the reports regarding length, complexity of agency operations, and other factors. This figure, however, is not without meaning because it

does reflect the wide range of the State's fiscal activities subjected to review by the General Assembly during this period.

Whenever the State implements the recommendations of compliance examinations and other types of audits, budget savings can occur, accountability will increase, and the authority of the appropriations process is returned to the Legislature.

- As a result of a previous finding, the Toll Highway Authority became more vigilant during 2005 about sending out all violation notices on all lanes timely, and following-up on those notices. This has resulted in a higher accounts receivable balance, \$48.9 million in FY04 compared to \$39.9 million in FY03. However, a larger percentage of the violations were less than 120 days old (38% compared to 22%) and are therefore more likely to be collected.
- For FY04, the Auditor General reported that State agencies were billed \$137 million by Central Management Services for savings initiatives. Forty-one agencies made payments to CMS for \$129.7 million for the savings. All of the audited agencies (25) made payments for efficiency initiative billings from improper line item appropriations. As a result of these audit findings, CMS and the various agencies improved the billing process and the agencies are now more likely to be paying for the efficiency initiatives from the proper line item appropriations.

The Commission continues to be concerned with the timeliness of compliance and financial audits. As a post-facto examination, there is, of necessity, a certain delay in the completion and review of audits. However, it is important that the process be concluded as quickly as possible to maximize the benefits of the audit program. In 2005, the Commission reviewed most audits received during the year, leaving only nine agencies to appear before the Commission in 2006 for audits released prior to 2006.

The Commission attempts to reach a satisfactory agreement regarding each of audit recommendations. In some instances, the agency reports acceptance of the recommendation, but subsequent audits reveal the recommendation was not implemented or corrective procedures have fallen into disuse. The Commission places special importance upon the continuing obligation of State agencies to implement and maintain corrective procedures recommended by the Auditor General.

The use of computer technology is widespread in State government. With improved technology, however, comes the need for comprehensive planning in the design and development of computer systems and subsequent changes, adequate training and documentation, system-wide security, and a tested plan for continued record keeping and service if the system should fail.

The Commission has observed a trend in State government toward more outsourcing of State services. The Commission has an elevated concern over how those contracts are bid and procured. Additionally, State agencies should better plan and monitor contracts to ensure that all State funds are used to properly offer and provide services to all eligible individuals.

During 2003, the administration, through executive order and then by legislation, consolidated the internal audit function active in 26 departments and agencies into one Office of Internal Audit. The Office of Internal Audit is responsible for conducting a broad, comprehensive and independent program of internal auditing for the Governor and *all* those entities under his jurisdiction. This consolidation was of particular interest to the Commission, as the first external audits of the executive agencies under this new system were released late in 2004 and throughout 2005. There were more audit findings among the reports released in 2005. However, it remains to be seen whether this increase was due to a lack of internal auditors within the agencies or fewer and less experienced fiscal people within the agencies due to early retirement and unfilled vacancies.

The Commission is also aware that several agencies within State government have been consolidated into new agencies or existing departments. The Department of Nuclear Safety was placed within the Emergency Management Agency. The Rural Bond Bank, the Farm Development Authority, the Educational Facilities Authority, the Health Facilities Authority, and the Development Finance Authority have been consolidated into the new Illinois Finance Authority. The Gaming Board, the Racing Board, the Liquor Control Commission and the Department of the Lottery are now under the auspices of the Department of Revenue. The Department of Insurance, the Department of Professional Regulation, Financial Institutions and Office of Banks and Real Estate have all merged to become the new Department of Financial and Professional Regulation. The Commission is monitoring the audits of these new and changed agencies to ensure that the old findings are resolved and statutory mandates are fulfilled.

Finally, the fiscal crisis that has engulfed the State since the beginning of FY02 is subsiding. The executive branch used several methods to mitigate the effects of the crisis: increase or establish new fees and assessments; reduce headcount or leave vacancies unfilled at almost every agency and department; regularly sweep funds with unused cash assets into the General Revenue Fund; charge some agencies for certain administrative functions paid by GRF; bill agencies for efficiency initiatives, and borrow against pension benefits. The Audit Commission is concerned that the level of State service to taxpayers remains both adequate and efficient; that new fees and assessments are fair and within the law; that the charge-backs to agencies for administrative functions and savings initiatives do not circumvent the appropriations process; and that funds are repaid as necessary.

Appendix B, appearing on page 33 summarizes the audits considered at Legislative Audit Commission hearings during 2005, the number of audit recommendations, and the number of recommendations that were repeated from prior audits.

During the past year, the Commission gave special attention in its review activity to the topics which follow. The various departments and agencies listed usually agreed to implement specific audit recommendations or other changes, so that these weaknesses would no longer exist. In most instances, the findings were for the period ending June 30, 2004.

Failure of Internal Controls

Chicago State University, the Departments of Central Management Services, Illinois State Police, and Transportation, the DuPage Water Commission, Governors State University, the Illinois Finance Authority, the Law Enforcement Training and Standards Board, Manteno Veterans' Home, the Medical District Commission, Northeastern Illinois University, the Office of the State Fire Marshal, the Rend Lake Conservancy District, the State Board of Education, Toll Highway Authority, the University of Illinois, and Western Illinois University had capital assets not accounted for properly, or problems with inventory, property control, depreciation, or theft control.

Chicago State University, the Department of Central Management Services, the Department of Professional Regulation, Illinois State University Foundation, and the Office of the State's Attorneys Appellate Prosecutor did not review internal controls or meet other Fiscal Control and Internal Auditing Act requirements.

Chicago State University, the Departments of Central Management Services, Children and Family Services, Illinois State Police, Professional Regulation, and Transportation, Eastern Illinois University, the Environmental Protection Agency, the Illinois Conservation Foundation, the Illinois Finance Authority, the Law Enforcement Training and Standards Board, the Manteno Veterans' Home, the Medical District Commission, the Office of Banks and Real Estate, the Office of the State Comptroller, the Office of the State Fire Marshal, the Petroleum Resources Board, the Rend Lake Conservancy District, the State Board of Education, Southern Illinois University, the Toll Highway Authority, and the University of Illinois had inadequate control over vouchers, receipts, disbursements, purchasing, receivables, locally held funds, or made payments from incorrect fiscal year appropriations.

Chicago State University did not comply with certain federal requirements for grant expenditures. The **Governor's Office of Management and Budget** did not have documentation to support direct costs charged to a federal program, and the **Illinois Housing Development Authority** had untimely cash draw downs from federal funds.

The **Departments of Central Management Services, Children and Family Services, Commerce and Economic Opportunity, Corrections, Employment Security, Human Services, Natural Resources, Professional Regulation, Public Aid, Public Health, Transportation, the Environmental Protection Agency, the Governor's Office of Management and Budget, Governors State University, the Illinois Community College Board, the Illinois Housing Development Authority, the Illinois Student Assistance Commission, and the State Board of Education** did not file GAAP reports or other financial statements timely or accurately.

The **Departments of Central Management Services, Illinois State Police, Professional Regulation, and Revenue, the Illinois Finance Authority, and the Medical District Commission** did not adequately use their agency's vehicle policy, especially related to operations, maintenance, insurance requirements, or accident reports. The **Department of Professional Regulation, the Illinois Community College Board, the Medical**

District Commission, and the **Office of Banks and Real Estate** did not adequately implement their agency's travel regulations.

The **Departments of Central Management Services, Children and Family Services, Financial Institutions, Human Services, Illinois State Police, Insurance, Professional Regulation, Public Aid, Revenue, Transportation, and Veterans' Affairs**, the **Environmental Protection Agency**, the **Medical District Commission**, the **Office of Banks and Real Estate**, the **Office of the State Fire Marshal**, the **Pollution Control Board**, and the **Property Tax Appeal Board** paid efficiency initiative billings from incorrect line item appropriations.

The **Departments of Central Management Services, Children and Family Services, Financial Institutions, Illinois State Police, Professional Regulation, Revenue—Division of the Lottery, and Transportation**, the **Illinois Building Commission**, the **Illinois Community College Board**, the **Illinois Housing Development Authority**, the **Illinois Finance Authority**, the **Office of the State Fire Marshal**, the **Rend Lake Conservation District**, the **State Board of Education**, and the **Toll Highway Authority** had inadequate employee timekeeping or time-tracking procedures, inaccurate W-2 information, or incomplete employee files.

The **Departments of Children and Family Services, Illinois State Police, Professional Regulation, Transportation, and Veterans' Affairs** and the **Office of Banks and Real Estate** had inadequate review of telecommunication expenses or untimely cancellation of phone cards, cell phones, or pagers.

The **Department of Professional Regulation**, the **Department of Transportation**, the **Environmental Protection Agency**, the **Illinois Community College Board**, the **Illinois Finance Authority**, the **Office of Banks and Real Estate**, and the **State Board of Education** did not timely evaluate employees or had information missing from employee personnel files.

The **Department of Professional Regulation**, the **Illinois Finance Authority**, the **Office of Banks and Real Estate**, the **State Board of Education**, and **Toll Highway Authority**, and **Western Illinois University** did not accurately bill, collect, document or report fees.

The **Departments of Professional Regulation, Revenue, and Revenue—Division of the Lottery**, the **East St. Louis Financial Advisory Authority**, the **Illinois Finance Authority**, the **Illinois Housing Development Authority**, the **Office of Banks and Real Estate**, the **Rend Lake Conservancy District**, the **State Board of Education**, the **Toll Highway Authority** and the **University of Illinois** did not perform monthly reconciliations as required.

The **Department of Revenue—Division of the Lottery**, the **Illinois Finance Authority**, the **Office of Banks and Real Estate**, the **Rend Lake Conservancy District**, did not have adequate segregation of duties.

Eastern Illinois University, Governors State University, Northeastern Illinois University, and the **Rend Lake Conservancy District** improperly applied accounting principles.

Governors State University, Illinois Conservation Foundation, Illinois Ventures LLC, the **Medical District Commission,** and **Prairieland Energy** had account balances in excess of FDIC limits.

The **Housing Development Authority,** the **Judicial Inquiry Board,** the **Rend Lake Conservancy District,** the **State Board of Education,** **Toll Highway Authority** and the **University of Illinois** failed to ensure proper communication or flow of information within the agency or had inadequate policy and procedures manuals.

The **Illinois Finance Authority** did not have a comprehensive accounting system and procedures in place when it first began to operate in January 1, 2004 which caused numerous accounting and financial reporting problems.

The **Illinois Finance Authority,** the **Illinois Housing Development Authority,** and **Western Illinois University** did not adequately monitor documents related to loan agreements or communicate with lenders or borrowers as required.

The **Illinois Finance Authority,** **Southern Illinois University,** the **State Board of Education,** and the **University of Illinois** failed to file contracts or leases timely with the State Comptroller.

Illinois State University Foundation had improper control over raffle tickets.

The **Rend Lake Conservancy District** did not enroll all eligible employees in IMRF.

Failure to Monitor Computer Systems

The **Chicago State University,** the **Department of Transportation,** **Governors State University,** and **Southern Illinois University** had inadequate computer security.

The **Department of Central Management's Bureau of Communication and Computer Services,** the **Department of Public Aid,** the **Illinois Community College Board,** and the **State Board of Education** had inadequate disaster contingency plans.

The **Departments of Professional Regulation, Revenue,** and **Revenue—Division of the Lottery,** the **DuPage Water Commission,** the **Office of Banks and Real Estate,** and the **Rend Lake Conservancy District** did not use available software adequately or had inadequate software.

The **Department of Transportation** and the **Illinois State Police** did not ensure independent reviews of major new systems or major changes to systems.

The **Office of the State Fire Marshal** did not monitor a vendor who was to develop and maintain the computer system.

Failure to Adequately Monitor Subrecipients and Contractors

Untimely preparation and execution of a State contract by the **Department of Central Management Services** allowed Illinois Property Asset Management (IPAM) to begin working six months before the \$25 million contract was finalized. This resulted in too little time for proper review and approval of six months of expenses submitted just a few weeks before the end of the lapse period. Payment was approved for all vouchers submitted, but auditors determined at least \$43,000 in questionable expenses. The company was paid per the contract for its services, but the Governor terminated the contract when it was discovered that the State reimbursed IPAM for expenses ranging from an ice bucket and tongs to parking at a Bulls' game. Now the State is in litigation for \$5.2 million in questioned payments and the absence of key deliverables such as data and software. Additionally, the **Illinois State Police** and the **Law Enforcement Training and Standards Board** also failed to maintain documentation to ensure that vendor expenses were reasonable and necessary.

The **Department of Central Management Services** and the **Medical District Commission** did not maintain complete contract files or ensure completion of disclosures.

The **Department of Central Management Services**, the **Department of Children and Family Services**, the **Governor's Office of Management and Budget**, and the **State Board of Education** did not timely prepare and properly execute contracts. Additionally **CMS** did not properly monitor expenses of some contracts.

The **Department of Children and Family Services**, the **Department of Veterans' Affairs**, the **Illinois Housing Development Authority** and the **State Board of Education** did not have adequate monitoring procedures over certain contracts.

The **Illinois Community College Board** did not receive reports on grants from all community colleges timely.

The **Illinois State Board of Investment** did not specify the final work product expected of a contractor and the **Petroleum Resources Board** had problems with some personal service agreements.

Failure to Operate Within Statutory Authority

The **Departments of Central Management Services, Children and Family Services**, and **Professional Regulation**, the **East St. Louis Financial Advisory Authority**, and the **Environmental Protection Agency** did not send or submit timely, certain statutorily required reports or certifications.

The **Department of Central Management Services**, the **Department of Professional Regulation**, the **Joint Committee on Administrative Rules**, and the **University of Illinois** did not develop, observe or revise rules as required.

The **Departments of Children and Family Services**, the **Illinois State Police**, **Professional Regulation**, and **Transportation**, **Illinois State University**, the **Office of Banks and Real Estate**, the **Office of the State Fire Marshal**, and the **State Board of Education** did not comply with certain mandated duties.

The **Department of Insurance** did not properly monitor Workers' Comp Self-insured Pools and several viatical settlement providers as required by law. The **State Board of Education** did not exercise proper oversight of the Regional Offices of Education.

The **Department of Professional Regulation** did not terminate licenses or cause the licensees to surrender licenses that had not been renewed within 30 days of expiration. Additionally, **DPR** did not make all licensure requirements available in Spanish on its website.

The **Department of Professional Regulation**, the **Environmental Protection Agency**, the **Illinois Community College Board**, the **Office of Banks and Real Estate**, and the **State Board of Education** did not fill positions or make board appointments as required. Additionally, **DPR** also exceeded the \$50 per day maximum compensation for board members.

The **Department of Transportation** did not submit to the Governor and General Assembly a master plan for highway, waterway, aeronautics, mass transportation and railroad system. The last plan was published in 1995. The **Department of Central Management Services**, the **Environmental Protection Agency**, the **Illinois Community College Board**, the **Illinois Finance Authority**, the **Joint Committee on Administrative Rules**, and the **State Board of Education** did not submit reports to the Governor and the General Assembly as required.

The **Office of Banks and Real Estate**, the **Property Tax Appeals Board**, and the **State Board of Education** did not schedule hearings or examinations as required. Additionally, the **Medical District Commission** did not always publish notification of public hearings in a newspaper at least ten days in advance.

Failure to Protect the State's Interest

The **Department of Central Management Services** used vendors to develop specifications for Requests for Proposals (RFPs). Some vendors were awarded other contracts, and in a few instances, the vendors were awarded the contracts for which they helped develop specifications. Also, **CMS** used evaluation criteria not stated in the RFP to evaluate vendor proposals. Changes in scoring methodology were not communicated to proposing vendors or reflected in an addendum to the RFPs. Additionally, in one of these

instances, the Department awarded a contract to a vendor that had not received the highest scoring total based on evaluation criteria set out in the RFP. Finally, **CMS** allowed vendors to make extensive revisions during the Best and Final Offer process.

The **Department of Central Management Services**, the **Illinois Finance Authority**, and the **Rend Lake Conservancy District** were not always in compliance with competitive bidding requirements.

The **Department of Central Management Services** failed to adequately determine the amount of savings it expected State agencies to realize when billing for \$137 million in savings initiatives in FY04. Most State agencies were billed more for savings initiatives than Department documentation showed the agencies had realized in savings. **CMS** also failed to maintain adequate documentation to support the validation of many of the savings attributed to various efficiency initiatives. The Department awarded \$69 million in contracts to outside vendors to achieve various savings.

The **Department of Children and Family Services** did not investigate all reports of child abuse within 24 hours and did not determine whether all reports were “unfounded” or “indicated” within 60 days.

The **Department of Professional Regulation** paid for a portion of the costs to investigate a fire at the Cook County Administration Building without documentation to justify its participation in the investigation or the exact share of the costs.

The **Department of Professional Regulation** did not perform and/or document enforcement activities in a timely or sufficient manner. The auditors noted many deficiencies in complying with Department guidelines to ensure investigation of complaints and prosecution activity is initiated and completed timely.

The **Department of Revenue** entered into a \$10 million contract for lottery advertising with an outside vendor. Numerous estimated media bills were submitted and paid timely. However, the actual invoice amounts, which were submitted later lacked adequate supporting documentation.

The **Department of Transportation** had inadequate procedures concerning the use and disposition of excess land.

Governors State University was holding classes for students who receive financial aid at unapproved locations. Also, **GSU** faculty was involved in outside research or consulting services without prior University approval.

The **Manteno Veterans’ Home** had an inadequate number of direct care hours per patient.

The **Toll Highway Authority** did not issue COBRA notification to terminated employees timely.

Collection of Receivables

Accounts receivable are a valuable asset to the State, and as such, must be effectively accounted for and pursued for collection. Each agency must maintain an accounting system that enables them to establish, record, follow-up, collect, and possibly write off individual receivables.

According to the Comptroller's December 31, 2005 Receivables Report, the gross receivables balance was almost \$12.6 billion. Of this amount, \$6.5 billion was deferred receivables and \$4.37 billion was estimated to be uncollectible. Thus, almost \$1.66 billion (13.2%) was estimated to be collectible.

Performance Audits

Performance audits, a category that includes program, management, and efficiency audits, provide a more detailed and thorough examination of a topic than is possible in a compliance examination. The Auditor General is authorized to conduct performance audits when directed by either chamber of the Illinois General Assembly or by the Legislative Audit Commission. A performance audit means a post audit which determines:

- Whether the audited agency is managing or utilizing its resources in an economical and efficient manner;
- Causes of inefficiencies or uneconomical practices;
- Whether the objectives and intended benefits are being achieved, and whether efficiently and effectively;
- Whether the program is being performed or administered as authorized or required by law; and
- Whether the program duplicates, overlaps, or conflicts with another State program.

One of the methods by which performance audits may be initiated is through the adoption of a resolution by the Legislative Audit Commission. The Commission adopted four such resolutions as follows:

- Legislative Audit Commission Resolution No. 130 directed the Auditor General to conduct a follow-up to the 1995 study that identifies programs in State government that appear to be overlapping or duplicative.
- Legislative Audit Commission Resolution No. 131 directed the Auditor General to conduct a study of State employee travel between Chicago and the cities of Springfield, Bloomington, Champaign-Urbana, Carbondale and Macomb. This resolution replaced the study required by House Resolution No. 1039.

- Legislative Audit Commission Resolution No. 133 directed the Auditor General to conduct a follow-up on its 2004 financial, management and program audit of the Rend Lake Conservancy District.
- Legislative Audit Commission Resolution No. 134 directed the Auditor General to follow-up on its 2004 financial and compliance audit of the Department of Central Management Services.

The following is a summary of the four performance audits reviewed by the Legislative Audit Commission during 2005.

Management Audit of the Rend Lake Conservancy District

Public Act 93-0275, which directed the Auditor General to conduct a management, program and financial audit of the Rend Lake Conservancy District, concluded that the Rend Lake Conservancy District had significant deficiencies in virtually all aspects of its management. The management and program audit, which identified deficiencies in 16 areas and recommended more than 70 specific actions, concluded the following:

- The Board of Trustees needs to fulfill its fiduciary responsibility over the District.
- The District lacked a proper budget for FY04. Revenues were over \$12 million, but the Board authorized \$25 million in expenditures.
- The District's recreational businesses lost \$900,000 in FY04.
- Outside engineering and legal consultants were paid more than \$500,000 in FY04 when a Board ordinance called for internal engineering and legal departments.
- There was no written staffing plan that analyzed staffing needs and the District lacked an adequate number of managers with a business background.
- Contracts were not bid as required. There was no list of contracts and tenants were not monitored. The District lacked basic information such as acres of farmland leased or the number of oil wells on District property.
- The water billing system made errors; no supervisory reviews were performed to verify the accuracy of bills. Residential customers were on self-determined billing cycles.
- Some expenditures sampled did not appear to benefit the District. The District general fund was used to make charitable donations and to buy turkeys for employees, trustees and consultants.

The program and management audit contained 16 recommendations while the financial audit contained 15 recommendations. The District agreed to implement all the recommendations.

Program Audit of the Department of Human Services' Office of the Inspector General

The Abused and Neglected Long Term Care Facility Residents Reporting Act requires DHS' Office of the Inspector General (OIG) to investigate allegations of abuse and neglect that occur in facilities operated by the Department as well as community agencies

licensed, certified or funded by DHS. The Act also requires the Office of the Auditor General to conduct an audit of the Inspector General's compliance with the Act every two years. This is the eighth audit conducted of the OIG since 1990. In FY04, the Department of Human Services operated 17 State facilities and licensed, certified, or funded approximately 400 community agencies. The OIG revised requirements in both its Administrative Rules and Investigative Directives that had a significant impact on its operations. These include:

- Revised guidance on what constitutes abuse or neglect, resulting in a decrease in the number of abuse and neglect allegations reported to the OIG for investigation;
- No longer requiring serious injuries to residents not involving an abuse or neglect allegation to be reported to the OIG;
- A relaxing of the number of days to complete investigations from 60 calendar days to 60 working days;
- Less specific requirements and guidance in its Investigative Directives for investigators to follow; and
- Elimination of a minimum number of hours of training investigators are required to receive annually.

The audit also reported:

- The OIG continued to have problems completing investigations timely. In FY04, only 39% were completed in 60 calendar days.
- The OIG does not have an effective, electronic case management system in place to monitor timeliness of case completions.
- OIG case reports were generally thorough. Photographs were not taken in 40 of 52 cases sampled where there was an allegation of injury sustained.
- OIG investigators were not conducting their interviews with alleged victims timely. On average 37 days elapsed between the day of the alleged abuse and the day the alleged victim was interviewed.
- The Quality Care Board did not meet and was not fully appointed as required.

The report contained 12 recommendations, 11 of which related to the Office of the Inspector General and one related to the State Police. The Inspector General agreed to implement most of the recommendations.

Special Examination—Status of Prior Findings at the Department of Central Management Services

Legislative Audit Commission Resolution No. 134 directed the Auditor General to follow-up on its 2004 financial and compliance audit of the Department of Central Management Services. The original financial and compliance audit was released in April 2005 and the follow-up was released in October 2005. The FY04 report contained 24 findings and recommendations. As of September 16, 2005 the Department had:

- Implemented six of the recommendations;
- Partially implemented four of the recommendations;
- Did not implement 11 of the recommendations; and
- Due to the nature and timing of the required tests, the status of three recommendations could not be determined.

Specific matters noted by the auditors in their follow-up testing included:

- As of September 14, 2005, the Department had not completed its validation of the FY04 projected savings attributable to its various efficiency initiatives. The Department hired a contractor for \$995,000 to assist in its validation efforts.
- Six of Ten FY05 contract files tested lacked documentation in one or more areas. Numerous documents expected to be retained centrally in contract files were missing upon initial review.
- In one of ten FY05 contract files tested, the vendor that eventually received the award provided extensive pro bono work to the Department. In another instance, two Department officials met with a potential vendor prior to the issuance of the RFP. No other vendors were contacted. This vendor was subsequently determined to be the only responsive bidder and was awarded the contract.
- In one of the tested awards, a \$162 million contract for pharmaceuticals, the Department used an evaluation process that conflicted with the process specified in the RFP.
- Of the ten FY05 contracts tested, the auditors noted the Department allowed a vendor to extensively revise its proposal during the best and final process.
- Six of eight FY05 contracts tested were filed an average of 125 days late with the State Comptroller.
- Contract monitoring deficiencies were evident in two FY05 contracts tested.
- Forty-four of 50 employees tested did not maintain timesheets documenting the time spent each day on official State business.

The Department generally agreed to implement the recommendations.

Financial, Compliance, and Program Audit of the Village of Robbins' Use of Municipal Economic Development Funds

The Public Utilities Act requires the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality from the Municipal Economic Development Fund.

Robbins, the only entity to receive distributions from the Fund, received \$345,527 from the Fund and earned \$102 in interest income for calendar year 2004. Robbins disbursed \$353,951 from Fund receipts. The review of documentation provided by Robbins concluded that the calendar year 2004 expenditures of Fund receipts appear to be consistent with Public Utilities Act guidelines.

Regional Offices of Education

The Commission received the annual financial audits of the 45 **Regional Offices of Education** and the three **Intermediate Service Centers**. The majority of recommendations related to problems with internal controls and compliance with legal requirements.

Special Inquiries

The State Auditing Act also provides for several different types of audits, including special reports and investigations. The Act defines an investigation as an inquiry into specified acts or allegations of impropriety, malfeasance, or nonfeasance in the obligation, expenditure, receipt, or use of public funds. Investigations are initiated by resolution of the General Assembly or by the Legislative Audit Commission. The Auditor General may also at any time make informal inquiries of a State agency. Such inquiries are not in the nature of an audit, and are usually initiated at the request of a member of the General Assembly. No special audits were requested in 2004.

Legislative Program

One of the purposes of the audit review program is to identify and act on problems requiring a legislative solution. The Governor signed the following bills changing the statutes as recommended by audit reports or Audit Commission members.

HB 561 adjusts roofing license fees to avoid a conflict in statute. (PA94-0254)

HB 942 allows for the acceptance of electronic receipts at grain warehouses. (PA94-0211)

HB 1005 licenses Board and Care Homes. (PA94- 0021)

HB 1656 allows CMS to set policy and provide various services such as information technology, audit and communication throughout State government except the Judicial branch. (PA94-0295)

HB 2062 requires nursing homes to maintain a list of sex offenders residing at the home. (PA94-0163)

HB 2386 allows extended parole for sex offenders. (PA94-0165)

HB 2435 establishes the Vince Demuzio Governmental Internship Program at SIU. (PA94-0479)

HB 2566 transfers the responsibility of the Veterans' Employment Act from the Department of Veterans' Affairs to the Department of Commerce and Economic Opportunity. (PA-0099)

SB 214 further changes the Grain Code to set up an account funded by income earned on assets to pay reasonable expenses related to a failed license. (PA94-0054)

SB 383 allows fire safety inspection of school buildings annually by the Office of the State Fire Marshal. (PA94-0225)

SB 299 directs the interested parties to appoint new members to the Rend Lake Conservancy District Board. (PA 94-0064)

SB 518 establishes procurement guidelines for construction management services. (PA94-0532)

SB 662 in certain circumstances allows payments from one fiscal year to cover expenditures made in another fiscal year. (PA94-0058)

SB 766 allows the design-build contract method for projects under the Capital Development Board. (PA94-0716)

SB 1935 directs the Department of Revenue to submit an annual report listing all revenues, fees, distributions and expenditures. (PA94-0633)

SB 1964 establishes a limited toll amnesty program for the Toll Highway Authority. (PA94-0636)

Other Duties and Responsibilities

The General Assembly has assigned the Audit Commission a variety of duties and responsibilities in addition to its principal duty to review the post audit program in Illinois.

Review of Emergency Purchases

The Illinois Purchasing Act recognized that there would be emergency situations when it will be impossible to conduct bidding. It provided a general exemption for emergencies “involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... to prevent or minimize serious disruption of State services, or to preserve the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make ‘quick purchases,’ including but not limited to items available at a discount for a limited period of time.”

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements of the Illinois Purchasing Act. The affidavit is to set forth the circumstances requiring the emergency purchase. The Legislative Audit Commission is responsible for the review of all emergency purchases and is to advise the General Assembly of possible abuses.

The LAC receives quarterly reports of all emergency purchases. These are distributed to all members and considered at monthly Commission meetings. An annual analysis is also performed to detect trends and possible patterns of abuse. A comparative summary of

emergency purchases reported during the period ended December 31, 2005 appears on pages 35 in Appendix C.

Each emergency transaction is reviewed to establish that:

- An "emergency," as defined in the Illinois Purchasing Act, actually existed;
- The action taken by the agency was appropriate under the circumstances; and
- Steps were taken whenever possible to obtain bids or competitive quotations in order to obtain the most favorable terms for the State.

There were 168 affidavits for emergency purchases filed in 2005 totaling approximately \$99.4 million. Presented below is a compilation of 2005 emergency purchases in dollar categories.

Under \$10,000	4
10,000 - \$100,000	108
Over \$100,000	56

Included in the above summary were 18 emergency purchases exceeding \$500,000 as follows:

\$938,995.00 to the Office of the Governor for repairs at the Executive Mansion.

\$681,353.00 to the Department of Central Management Services to supply electricity to six State of Illinois facilities in the Illinois Power Company territory. An RFP was issued seeking electricity supply at 28 State of Illinois facilities. Of the 28, 15 had been on a program in which they were purchasing under the Power Purchase Option (PPO) as offered by Illinois Power. Of these 15, nine qualified for continued PPO service for another 12 months, while the remaining six did not. Unfortunately, no valid proposals were received.

\$4,272,054.50 to the Department of Central Management Services to enable the purchase of HIV/AIDS and STD drugs on a continued basis for patients in State facilities until a new vendor contract is awarded. Proposals in response to the RFP are under review and agency officials stated a new multi-year contract will be awarded within the next several weeks.

\$581,883.80 to the Department of Central Management Services to purchase Attachmate software to provide access to systems on the CMS Data Center mainframes. Department officials stated this procurement will allow the State the opportunity to conduct a competitive procurement for a software product while avoiding serious disruption to State services.

\$6,225,000.00 (estimated) to the Department of Children and Family Services to amend the Getronics Contract in order to activate the Termination Clause and begin the transition out of the contract. Agency officials state this amendment increases the contract cost by \$6.225 million and extends the term of the work to December 31, 2005. The scope of the

work does not change. The new contract term is January 1, 2005 through December 31, 2005.

\$960,685.50 to the Department of Children and Family Services to continue a healthcare contract which provides services for DCFS wards. Due to sustained protest from a previously issued RFP, the services will be rebid.

\$55,000,000.00 (estimated) to the Department of Corrections – General Office to provide emergency medical services at 25 correctional facilities. The previous medical vendor had to be removed in order to avoid a strike situation with AFSCME and ensure medical services would continue to be provided. In order to maintain adequate medical coverage, the Department had to bring in another vendor. This vendor will be providing medical services at the 25 sites on an emergency basis until January 31, 2006. The Department will be putting these services out for bid with the intention of a new contract beginning on February 1, 2006.

\$2,592,218.00 (estimated) to the Department of Healthcare and Family Services (IDPA) to purchase 254,250 doses of the influenza vaccine and specified services to vaccinate residents who are at the greatest risk of contracting the influenza virus.

\$626,388.00 (estimated) to the Department of Healthcare and Family Services to extend a contract with Integris, Inc. beginning October 1, 2005 for the continued support and functionality of the Department's Medical Data Warehouse System to avoid an interruption of critical services. Department officials stated the contract is a two-month extension.

\$700,000.00 (estimated) to the Department of Human Services to correct life safety deficiencies cited by the Illinois Department of Public Health in 4 ancillary day training sites at the Shapiro Developmental Center. The major life safety citation involves the need for HVAC duct work and fire dampers in these buildings.

\$589,065.00 (estimated) to the Department of Human Services to provide three meals per day to Hurricane Katrina evacuees located at Alton Mental Health Center.

\$5,180,070.00 to the Department of Human Services to provide case management capacity for Katrina Emergency Guests. Department officials stated there are nearly 10,000 individuals received by the Department, requiring immediate intensive case management services.

\$850,000.00 (estimated) to the Department of Natural Resources for replacement of the wastewater treatment plant at Pere Marquette State Park. The system, constructed in 1995, has rapidly deteriorated due to failure of the protective coating throughout the system. Failure of the plant could result in closure of the lodge and park facilities, resulting in a loss of revenue and the potential for litigation that could result from current contractual agreements.

\$1,200,000.00 (estimated) to the Department of State Police to replace the existing roof of the Armory Building located at 125 East Monroe, Springfield. Agency officials state the north and south tower, which is occupied by ISP employees, is leaking and causing great

damage to the structure and interior of the building. If not replaced, damage to ISP property and computer equipment will cost the State millions of dollars.

\$2,000,000.00 (estimated) to the Department of Transportation to cover repairs on the Abraham Lincoln Bridge in LaSalle County. Agency officials state that severe deterioration of concrete deck planks require extensive full-depth deck patching and is necessary to protect State property from further loss or damage.

\$600,000.00 to the Illinois Commerce Commission to purchase consulting services to determine if ComEd's substations are capable of providing reliable electric service to its customers. Equipment outages, insufficient switching capacity and associated interruptions of electric service are likely to place the health, safety and economic well-being of affected Illinois citizens.

\$774,540.00 (estimated) to Northeastern Illinois University to purchase disaster restoration services due to a fire at the University's Ronald Williams Library Building. University officials stated this purchase included the initial stabilization of the facility and the recovery of the library contents to prevent further loss and damage to State property. Additionally, it was necessary to minimize serious disruption to State services provided to the enrolled student population.

\$1,200,000.00 (estimated) to Southern Illinois University for work at the East St. Louis campus. University officials stated the funds will be used for window and building exterior work, as well as work in the stairwells, sidewalks, and security camera installation.

Travel Control

The Legislative Audit Commission has the responsibility to monitor the quarterly reports of the various travel control boards established pursuant to statute. There are 10 separate boards governing the employees of the legislative branch, each constitutional officer, the State Board of Education, and higher education institutions. The chairs of the 10 travel control boards together comprise the Travel Regulation Council. The Travel Regulation Council establishes the State travel regulations and reimbursement rates, which shall be applicable to all personnel subject to the jurisdiction of the various travel control boards. These 10 travel control boards have the duty to establish the maximum rate permitted for the reimbursement of their respective employee travel expenses which may be more restrictive than those established by the Council. CMS received a finding that the Governor's Travel Control Board did not meet as required, and the Department did not file required reports with the Legislative Audit Commission. Additionally, the Treasurer's Office did not file reports with the Legislative Audit Commission.

Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at a location other than that at which official duties require them to spend the largest part of their working time. Such reports are to be filed semi-annually with the Legislative Audit Commission and the Commission is to comment on all such reports.

A summary of travel headquarter reports for 2005 and the number of individuals who spend the largest part of their working time away from their designated headquarters, appears in Appendix D on page 37.

Audit of the Office of the Auditor General

The Legislative Audit Commission is responsible for the biennial compliance examination of the Office of the Auditor General. The examination is performed by independent certified public accountants under a contract with the Commission. The auditors follow the same instructions and standards applicable to all audits performed pursuant to the Illinois State Auditing Act. In order to assure the independence of the examination, the Commission requires that the contract auditor be one who does not participate in the audit program administered by the Auditor General. In addition, after the completion of three examinations over a six-year period, a different firm must be selected.

The most recent examination covered the two years ended June 30, 2005. There were no material findings of noncompliance disclosed during the auditors' tests.

Rules and Regulations of the Office of the Auditor General

The Legislative Audit Commission has oversight responsibility over the rulemakings of the Auditor General. The Commission is given an opportunity, through statutory authority, to comment on all proposed rules of the Office. No rulemaking became effective during 2005.

Office of the Legislative Audit Commission

Audit Commission members monitor all expenditures, receiving a detailed monthly summary of all vouchers submitted for payment. In addition, monthly financial reports are prepared and considered at each meeting. Presented below is a summary of expenditures made from appropriations for Fiscal Year 2005, as well as an interim report as of January 1, 2006.

I. Financial Statement - Year Ended June 30, 2005

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Lapsed</u>
Personal services	\$ 170,755	\$ 170,750	\$ 5 *
Retirement, Employer	6,840	6,835	5 *
Retirement, State	34,000	27,522	6,478
Social security	12,870	12,864	6 *
Contractual services	3,500	3,137	363 *
Travel	3,335	2,745	590 *
Commodities	500	337	163
Printing	1,500	409	1,091
Equipment	500	360	140
Electronic data processing	3,000	1,938	1,062
Telecommunications	<u>1,600</u>	<u>1,311</u>	<u>289</u>
TOTAL	\$ <u>238,400</u>	\$ <u>228,208</u>	\$ <u>10,192</u>*

* Reflects transfers.

II. Status of FY06 Appropriation at January 1, 2006

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Balance</u>
Personal services	\$ 168,800	\$ 85,103	\$ 83,697
Retirement, Employer	6,800	3,406	3,394
Retirement, State	36,600	6,634	29,966
Social security	12,900	6,400	6,500
Contractual services	16,078	1,777	14,301 *
Travel	4,500	908	3,592
Commodities	400	60	340
Printing	1,500	-0-	1,500
Equipment	100	-0-	100
Electronic data processing	1,122	1,122	-0- *
Telecommunications	<u>1,500</u>	<u>527</u>	<u>973</u>
TOTAL	\$ <u>250,300</u>	\$ <u>105,937</u>	\$ <u>144,363</u>

* Reflects transfers.

The Office of the Auditor General performed a compliance examination of the Legislative Audit Commission for the two years ended June 30, 2005. There were no material findings of noncompliance disclosed by the audit.

APPENDIX A

Financial/Compliance Audits Reviewed During 2005

(For FY2004 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Office of the Attorney General

Office of the Comptroller

 Fiscal Officer Responsibilities

 NonFiscal Officer Responsibilities

 Statewide Single Audit (2003)

Office of the Secretary of State - financial

Office of the Treasurer

 Fiscal Officer Responsibilities

 Bright Start College Savings Program (2003, 2004)

 Illinois Funds (2003, 2004) financial

State Board of Education (2003)

 Statewide Single Audit (2003)

CODE DEPARTMENTS

Department on Aging

 Statewide Single Audit (2003)

Department of Central Management Services – Central Office

Department of Central Management Services, Bureau of Communications
and Computer Services (2004, 2005)

Department of Central Management Services, Illinois State Employees' Deferred
Compensation Plan (2003, 2004)

Department of Children & Family Services

 Statewide Single Audit (2003, 2004)

Department Employment Security

Department of Financial Institutions – final

Department of Human Services - financial

 Statewide Single Audit (2003, 2004)

Department of Insurance

Department of Public Aid

 Statewide Single Audit (2004)

Department of Professional Regulation (2003, 2004)

Department of Revenue

Department of State Police

Department of Transportation (2003, 2004)

 Statewide Single Audit (2003)

Department of Veterans' Affairs – Central Office

 Veterans' Home at Anna

 Veterans' Home at LaSalle

 Veterans' Home at Manteno

 Veteran's Home at Quincy

LEGISLATIVE AGENCIES

Joint Committee on Administrative Rules
Legislative Information System

OTHER AGENCIES

Decatur Metropolitan Exposition, Auditorium and Office Building Authority (2004, 2005)
DuPage Water Commission (2004, 2005)
DryCleaner Environmental Response Trust Fund Council of Illinois
East St. Louis Financial Advisory Authority
Environmental Protection Agency
Environmental Protection Trust Fund
General Assembly Retirement System - financial
Governor's Office of Management and Budget
Illinois Building Commission - final
Illinois Conservation Foundation
Illinois Finance Authority
Illinois Gaming Board
Illinois Housing Development Authority
Illinois Math & Science Academy
Illinois Medical District Commission
Illinois Sports Facilities Authority - financial
Illinois State Board of Investment
Illinois State Police Merit Board
IMSA Fund for the Advancement of Education - financial
Industrial Commission Self-Insurers Security - financial
Judges' Retirement System
Judicial Inquiry Board
Kankakee River Valley Area Airport Authority
Law Enforcement Training and Standards Board
Office of Banks & Real Estate
Office of the State Appellate Defender
Office of the State's Attorneys Appellate Prosecutor
Office of State Fire Marshal
Petroleum Resources Board
Peoria Civic Center Authority - financial
Pollution Control Board
Property Tax Appeal Board
Rend Lake Conservancy District - financial
Sex Offender Management Audit
Southwest Illinois Development Authority
State Employees' Retirement System
State Universities Retirement System
Teachers' Retirement System
The Village of Robbins' Use of Municipal Economic
Development Funds
Toll Highway Authority
Violence Prevention Authority

HIGHER EDUCATION

Chicago State University
Chicago State University Foundation
Eastern Illinois University
Eastern Illinois University Alumni Association
Eastern Illinois University Foundation (2003)
Governors State University
Governors State University Alumni Association – financial
Governors State University Foundation - financial
Illinois Community College Board
 Statewide Single Audit - 2003
Illinois State University
Illinois State University Foundation
Illinois Student Assistance Commission
 Statewide Single Audit - 2003
Northeastern Illinois University
Northeastern Illinois University Foundation - financial
Northern Illinois University
Northern Illinois University Alumni Association
Northern Illinois University Foundation
Southern Illinois University
Southern Illinois University Association of Alumni, Former Students and Friends
Southern Illinois University Foundation at Carbondale
Southern Illinois University Foundation at Carbondale, Evergreen Terrace
Southern Illinois University Research Park, Inc., Carbondale
Southern Illinois University Edwardsville Alumni Association
Southern Illinois University at Edwardsville Foundation
Southern Illinois University Edwardsville, University Park
Southern Illinois University Physicians and Surgeons, Inc.
Student Assistance Commission (2004)
 Statewide Single Audit (2003, 2004)
Student Assistance Commission Illinois Prepaid Tuition Program - financial
Student Assistance Commission Illinois Designated Account Purchase Program - financial
University of Illinois
University of Illinois Alumni Association
University of Illinois Foundation
University of Illinois, Prairieland Energy, Inc.
University of Illinois Research Park, LLC
 Wolcott, Wood and Taylor, Inc.
Western Illinois University
Western Illinois University Foundation

REGIONAL OFFICES OF EDUCATION

Adams and Pike Counties No. 1 (2003, 2004)
Alexander, Johnson, Massac, Pulaski and Union Counties No. 2 (2003, 2004)
Bond, Fayette, and Effingham Counties No. 3 (2003, 2004)
Boone and Winnebago Counties No. 4 (2003, 2004)
Carroll, Jo Daviess and Stephenson Counties No. 8 (2003, 2004)
Champaign and Ford Counties No. 9 (2003, 2004)
Christian and Montgomery Counties No. 10 (2003, 2004)
Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby Counties No. 11 (2003, 2004)
Clay, Crawford, Jasper, Lawrence and Richland Counties No. 12 (2003, 2004)
Clinton, Marion and Washington Counties No. 13 (2003, 2004)
Suburban Cook County No. 14 (2003, 2004)
DeKalb County No. 16 (2003, 2004)
Dewitt, Livingston and McLean Counties No. 17 (2003)
DuPage County No. 19 (2003, 2004)
Edwards, Gallatin, Hardin, Pope, Saline, Wabash, Wayne and White Counties No. 20 (2003, 2004)
Fulton and Schuyler Counties No. 22 (2003, 2004)
Grundy and Kendall Counties No. 24 (2003, 2004)
Hamilton and Jefferson Counties No. 25 (2003, 2004)
Hancock and McDonough Counties No. 26 (2003)
Henderson, Mercer and Warren Counties No. 27 (2003)
Bureau, Henry and Stark Counties No. 28 (2003, 2004)
Jackson and Perry Counties No. 30 (2003, 2004)
Kane County No. 31 (2003, 2004)
Iroquois and Kankakee Counties No. 32 (2003, 2004)
Knox County No. 33 (2003, 2004)
Lake County No. 34 (2003, 2004)
LaSalle County No. 35 (2003, 2004)
Logan, Mason and Menard Counties No. 38 (2003, 2004)
Macon and Piatt Counties No. 39 (2003, 2004)
Calhoun, Greene, Jersey and Macoupin Counties No. 40 (2003, 2004)
Madison County No. 41 (2003, 2004)
Marshall, Putman and Woodford Counties No. 43 (2003, 2004)
McHenry County No. 44 (2003, 2004)
Monroe and Randolph Counties No. 45 (2003, 2004)
Brown, Cass, Morgan and Scott Counties No. 46 (2003, 2004)
Lee and Ogle Counties No. 47 (2003, 2004)
Peoria County No. 48 (2003, 2004)
Rock Island County No. 49 (2003)
St. Clair County No. 50 (2003, 2004)
Sangamon County No. 51 (2003, 2004)
Tazewell County No. 53 (2003, 2004)
Vermillion County No. 54 (2003, 2004)
Whiteside County No. 55 (2003, 2004)
Will County No. 56 (2003, 2004)

Regional Office of Education – cont.

North Cook, Intermediate Service Center No. 1 (2003, 2004)

West Cook, Intermediate Service Center No. 2 (2003, 2004)

South Cook, Intermediate Service Center No. 4 (2003, 2004)

APPENDIX B

Agencies Appearing Before Commission

(For FY2004 unless otherwise indicated)

	<u>Audit Recommendations</u>	
	<u>Total</u>	<u>Repeated</u>
CONSTITUTIONAL OFFICERS		
Office of the Comptroller		
Statewide Single Audit – 2003	1	1
Statewide Single Audit – 2004	1	1
CODE DEPARTMENTS		
Department on Aging		
Statewide Single Audit – 2003	2	0
Statewide Single Audit – 2004	2	1
Department of Central Management Services	24	2
Department of Children and Family Services	15	8
Statewide Single Audit - 2003	4	4
Statewide Single Audit - 2004	4	4
Department of Human Services		
Statewide Single Audit – 2003	14	5
Statewide Single Audit – 2004	17	9
Department of Human Services –		
Program Audit – Office of Inspector General	12	0
Department of Public Aid		
Statewide Single Audit – 2003	6	4
Statewide Single Audit – 2004	7	5
Department of State Police	11	2
Department of Revenue	13	3
Department of Transportation – 2003	8	3
Statewide Single Audit – 2003	4	2
Department of Transportation – 2004	13	4
Statewide Single Audit – 2004	6	3
Department of Professional Regulation – 2003	19	5
Department of Professional Regulation – 2004	22	12
OTHER AGENCIES		
Illinois Finance Authority	14	-
Illinois Housing Development Authority	10	3
Medical District Commission	10	4
Office of Banks and Real Estate	16	2
Office of the State Fire Marshal	9	5
Rend Lake Conservancy – Financial	15	NA
Management and Program Audit	16	NA

Other Agencies – cont.

State Board of Education – 2003	13	11
State Board of Education – 2004	15	10
Statewide Single Audit – 2003	8	5
Statewide Single Audit – 2004	9	4
State Toll Highway Authority	10	5

JUDICIAL AGENCIES

Judicial Inquiry Board	1	1
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HIGHER EDUCATION

Illinois Community College Board	7	3
Statewide Single Audit – 2004	3	3
Illinois Student Assistance Commission		
Statewide Single Audit – 2003	7	4
University of Illinois	8	2

APPENDIX C

Emergency Purchase Transactions Calendar Year 2005

	Number	Anticipated Cost
CONSTITUTIONAL OFFICERS		
Attorney General	1	\$ 16,200
Auditor General	5	395,022
Office of the Governor	2	977,380
Secretary of State	3	309,235
Supreme Court	1	10,500
CODE DEPARTMENTS		
Aging	1	25,762
Agriculture	3	164,806
Central Management Services	11	6,651,326
Children & Family Services	4	7,525,021
Commerce & Economic Opportunity	2	305,798
Conservation – Natural Resources	1	7,399
Corrections -		
General Office	1	55,000,000
Big Muddy River Correctional Center	1	28,580
Correctional Industries	2	281,710
Dwight Correctional Center	1	62,400
East Moline Correctional Center	3	151,197
Graham Correctional Center	1	60,000
Illinois River Correctional Center	1	29,684
Pontiac Correctional Center	1	13,368
Shawnee Correctional Center	1	71,000
Stateville Correctional Center	2	249,542
Vienna Correctional Center	2	157,263
Total Corrections	<u>16</u>	<u>56,104,744</u>
Employment Security	2	269,188
Healthcare & Family Services (IDPA)	6	3,756,800
Human Services	27	10,151,276
Military Affairs	2	102,700
Natural Resources	10	1,517,725
Public Health	3	210,750
Revenue	2	159,000
State Police	2	1,262,621
Transportation	14	2,694,134
Veterans' Affairs – Quincy Veterans' Home	1	36,550

	Number	Anticipated Cost
OTHER AGENCIES		
Architect of the Capitol	1	20,000
Commerce Commission	1	600,000
Criminal Justice Information Authority	3	156,412
Historic Preservation Agency	3	590,101
Housing Development Authority	1	79,000
Illinois Finance Authority	1	165,000
Illinois Workers' Compensation Commission	2	128,600
Toll Highway Authority	6	1,125,046
UNIVERSITIES		
Chicago State University	3	108,633
Illinois State University	3	216,674
Northeastern Illinois University	4	1,357,086
Northern Illinois University	3	164,425
Southern Illinois University	6	1,399,134
Student Assistance Commission	1	54,684
University of Illinois	11	554,776
GRAND TOTAL	<u>168</u>	<u>\$ 99,373,508</u>

APPENDIX D

Travel Headquarter Reports

CONSTITUTIONAL OFFICERS	<u>Reported</u>
Attorney General	0
Auditor General	0
Comptroller	10
Office of the Governor – Inspector General	0
Lieutenant Governor	0
Secretary of State	255
State Treasurer	7
 JUDICIAL AGENCIES	
Administrative Office of the Illinois Courts	0
Judicial Inquiry Board	0
Judges' Retirement System	0
State Appellate Defender	0
 LEGISLATIVE AGENCIES	
Government Forecasting & Accountability	0
General Assembly	
House – Democratic Clerk/Fiscal	0
House – Democratic Leadership	10
House – Republican	0
Senate	0
Legislative Audit Commission	0
Legislative Information System	0
Legislative Printing Unit	0
Legislative Reference Bureau	0
Legislative Research Unit	0
Office of the Architect of the Capitol	1
 CODE DEPARTMENTS	
Department on Aging	0
Department of Agriculture	205
Department of Central Management Services	60
Department of Children & Family Services	16
Department of Corrections	459
Department of Employment Security	53
Department of Financial and Professional Regulation	246
Department of Human Rights	0
Department of Human Services	417

Code Departments – cont'd

Department of Labor	12
Department of Military Affairs	3
Department of Natural Resources	59
Department of Public Aid	47
Department of Public Health	428
Department of Revenue	292
Department of State Police	14
Department of Transportation	565

OTHER AGENCIES

Arts Council	0
Capital Development Board	13
Civil Service Commission	6
Compensation Review Board	0
Commerce Commission	32
Court of Claims	0
Educational Labor Relations Board	5
Emergency Management Agency	8
Environmental Protection Agency	46
Executive Ethics Commission	0
General Assembly Retirement System	0
Governor's Office of Management and Budget	1
Guardianship & Advocacy Commission	0
Historic Preservation Agency	0
Housing Development Authority	9
Human Rights Commission	0
Illinois Finance Authority	13
Law Enforcement Training & Standards Board	3
Math & Science Academy	0
Medical District Commission	0
Planning Council on Developmental Disabilities	0
Property Tax Appeal Board	0
State Board of Education	48
State Board of Elections	8
State Board of Investments	0
State Employees' Retirement System	5
State Fire Marshal	75
State Toll Highway Authority	0
Teachers' Retirement System	0
Violence Prevention Authority	0
Workers' Compensation Commission	31

HIGHER EDUCATION

Board of Higher Education	0
Chicago State University	0
Eastern Illinois University	44
Governors State University	0
Illinois Community College Board	0
Illinois State University	113
Illinois Student Assistance Commission	0
Northern Illinois University	110
Northeastern Illinois University	0
Southern Illinois University	0
State Universities Civil Service Commission	0
State Universities Retirement System	0
University of Illinois	1
Western Illinois University	20